

107TH CONGRESS
1ST SESSION

H. R. 1933

To amend the Internal Revenue Code of 1986 to provide for nonrecognition of gain on dispositions of dairy property which is certified by the Secretary of Agriculture as having been the subject of an agreement under the bovine tuberculosis eradication program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2001

Mr. BONILLA (for himself, Mr. COMBEST, Mr. STENHOLM, Mr. REYES, Mr. SKEEN, Mr. THORNBERRY, and Mr. UDALL of New Mexico) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for nonrecognition of gain on dispositions of dairy property which is certified by the Secretary of Agriculture as having been the subject of an agreement under the bovine tuberculosis eradication program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. QUALIFIED DISPOSITION OF DAIRY PROPERTY**
 2 **TREATED AS INVOLUNTARY CONVERSION.**

3 (a) IN GENERAL.—Section 1033 of the Internal Rev-
 4 enue Code of 1986 (relating to involuntary conversions)
 5 is amended by designating subsection (k) as subsection (l)
 6 and inserting after subsection (j) the following new sub-
 7 section:

8 “(k) QUALIFIED DISPOSITION TO IMPLEMENT BO-
 9 VINE TUBERCULOSIS ERADICATION PROGRAM.—

10 “(1) IN GENERAL.—For purposes of this sub-
 11 title, if a taxpayer elects the application of this sub-
 12 section to a qualified disposition:

13 “(A) TREATMENT AS INVOLUNTARY CON-
 14 VERSION.—Such disposition shall be treated as
 15 an involuntary conversion to which this section
 16 applies.

17 “(B) MODIFICATION OF SIMILAR PROP-
 18 ERTY REQUIREMENT.—Property to be held by
 19 the taxpayer either for productive use in a trade
 20 or business or for investment shall be treated as
 21 property similar or related in service or use to
 22 the property disposed of.

23 “(C) EXTENSION OF PERIOD FOR REPLAC-
 24 ING PROPERTY.—Subsection (a)(2)(B)(i) shall
 25 be applied by substituting ‘4 years’ for ‘2
 26 years’.

1 “(D) WAIVER OF UNRELATED PERSON RE-
2 QUIREMENT.—Subsection (i) (relating to re-
3 placement property must be acquired from un-
4 related person in certain cases) shall not apply.

5 “(E) EXPANDED CAPITAL GAIN FOR CAT-
6 TLE AND HORSES.—Section 1231(b)(3)(A) shall
7 be applied by substituting ‘1 month’ for ‘24
8 months’.

9 “(2) QUALIFIED DISPOSITION.—

10 “(A) IN GENERAL.—For purposes of this
11 subsection, the term ‘qualified disposition’
12 means the disposition of dairy property which is
13 certified by the Secretary of Agriculture as hav-
14 ing been the subject of an agreement under the
15 bovine tuberculosis eradication program, as im-
16 plemented pursuant to the Declaration of
17 Emergency Because of Bovine Tuberculosis (65
18 Federal Register 63,227 (2000)).

19 “(B) PAYMENTS RECEIVED IN CONNEC-
20 TION WITH THE BOVINE TUBERCULOSIS ERADI-
21 CATION PROGRAM.—For purposes of this sub-
22 section, any amount received by a taxpayer in
23 connection with an agreement under such bo-
24 vine tuberculosis eradication program shall be
25 treated as received in a qualified disposition.

1 “(C) TRANSMITTAL OF CERTIFICATIONS.—

2 The Secretary of Agriculture shall transmit
3 copies of certifications under this paragraph to
4 the Secretary.

5 “(3) ALLOWANCE OF THE ADJUSTED BASIS OF
6 CERTIFIED DAIRY PROPERTY AS A DEPRECIATION
7 DEDUCTION.—The adjusted basis of any property
8 certified under paragraph (2)(A) shall be allowed as
9 a depreciation deduction under section 167 for the
10 taxable year which includes the date of the certifi-
11 cation described in paragraph (2)(A).

12 “(4) DAIRY PROPERTY.—For purposes of this
13 subsection, the term ‘dairy property’ means all tan-
14 gible property used in connection with a dairy busi-
15 ness or a dairy processing plant.

16 “(5) SPECIAL RULES FOR CERTAIN BUSINESS
17 ORGANIZATIONS.—

18 “(A) S CORPORATIONS.—In the case of an
19 S corporation, gain on a qualified disposition
20 shall not be treated as recognized for the pur-
21 poses of section 1374 (relating to tax imposed
22 on certain built-in gains).

23 “(B) PARTNERSHIPS.—In the case of a
24 partnership which dissolves in anticipation of a
25 qualified disposition (including in anticipation

of receiving the amount described in paragraph (2)(B)), the dairy property owned by the partners of such partnership at the time of such disposition shall be treated, for the purposes of this section and notwithstanding any regulation or rule of law, as owned by such partners at the time of such disposition.

“(6) TERMINATION.—This subsection shall not apply to dispositions made after December 31, 2005.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions made and amounts received in taxable years ending after May 22, 2001.

SEC. 2. DEDUCTION OF QUALIFIED RECLAMATION EXPENDITURES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following new section:

“SEC. 199. EXPENSING OF DAIRY PROPERTY RECLAMATION COSTS.

“(a) IN GENERAL.—Notwithstanding section 280B (relating to demolition of structures), a taxpayer may elect to treat any qualified reclamation expenditure which is paid or incurred by the taxpayer as an expense which is

1 not chargeable to capital account. Any expenditure which
 2 is so treated shall be allowed as a deduction for the taxable
 3 year in which it is paid or incurred.

4 “(b) QUALIFIED RECLAMATION EXPENDITURE.—

5 “(1) IN GENERAL.—For purposes of this sub-
 6 paragraph, the term ‘qualified reclamation expendi-
 7 ture’ means amounts otherwise chargeable to capital
 8 account and paid or incurred to convert any real
 9 property certified under section 1033(k)(2) (relating
 10 to qualified disposition) into unimproved land.

11 “(2) SPECIAL RULE FOR EXPENDITURES FOR
 12 DEPRECIABLE PROPERTY.—A rule similar to the
 13 rule of section 198(b)(2) (relating to special rule for
 14 expenditures for depreciable property) shall apply for
 15 purposes of paragraph (1).

16 “(c) DEDUCTION RECAPTURED AS ORDINARY IN-
 17 COME.—Rules similar to the rules of section 198(e) (relat-
 18 ing to deduction recaptured as ordinary income on sale,
 19 etc.) shall apply with respect to any qualified reclamation
 20 expenditure.

21 “(d) TERMINATION.—This section shall not apply to
 22 expenditures paid or incurred after December 31, 2005.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
 24 for part VI of subchapter B of chapter 1 of the Internal

1 Revenue Code of 1986 is amended by adding at the end
2 the following new item:

“Sec. 199. Expensing of dairy property reclamation costs.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to expenditures paid or incurred
5 in taxable years ending after May 22, 2001.

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